

Mayor Karen Tingle-Sames

City of Georgetown

Budget Address 2008-2009

Another year has passed and it is again time to present the budget for the City of Georgetown. I wish I had more pleasant news, but this budget is a very lean, straight forward budget.

I did not believe it could be possible to have a tighter budget then we had last year, but this proposed budget suggests even more cuts. Now more than ever, every dollar has to count.

It has taken many hours to prepare what we have in front of you today. Even with all the time placed into this budget there is little discretionary money. Many projects for the upcoming year will have to be postponed. Many people will be disappointed with the budget, but the City of Georgetown is not alone this year with the problems we are facing.

Not only is our City feeling the problem, but the region, the state and the nation are feeling the pain with us. The uncontrollable raising cost of utilities, gas, salaries and benefits are taking more and more of our revenues.

The cost associated with salaries and benefits are 56% of the total general fund budget. This leaves very little for supplies and expenses, or any special projects.

This problem has been developing over the past several years for Georgetown, as the result of carefree overspending and lack of fiscal accountability. As I came into office in 2007, I was faced with a budget that was already structurally out of balance. Many obligations had been made, but no provisions for payment were put in place. The City had continually added to the bonded indebtedness to pay for present desires, passing the cost to the future. Well, the time for that payment is now here.

Poor financial decisions of the past along with the turn down in the economy has manifested into a problem that is going to take skill, discipline, patience, and time to overcome. Georgetown did not save for a rainy day and now finds that it is raining and the city has little to no reserves to take us through.

Last year the budget was very awkward, but I do not regret, nor should you, any of the cuts that were made. Had we not had the foresight last year to stay out of our

reserves, and simply try to economize, streamline and live on a tight budget, this year would be much worse than it is. What some have called micro-managing and closely watching the 2008 budget, is the **only** reason our current financial situation is not worse.

I want to take this moment to thank all the department heads for taking these hard times seriously and trying to be strong managers. This accountability has created tensions and problems, but our directors are to be commended on the great job that they have done. I want to give a very special thanks to Michele for all the long hours she has worked.

As you know, the main source of the City of Georgetown's revenues comes from payroll and net profits. Georgetown has been fortunate for the last 20 years to have a large income from net profits, but the City will no longer be seeing such large revenues. We can no longer depend on them as we have in the past to carry us forward. This year's budgeted net profits will be about \$2 million dollars, this is a drop of nearly \$1.8 million from the current year and a decrease of \$3 million from 2007. The good news is our payroll tax is holding its own. While this year the net payroll revenues will be around \$10 million showing an increase over past years. That trend should continue to rise with the increase of businesses in Georgetown.

The budget that is presented to you has been balanced by proposing some revenue increases, excluding many worthwhile programs, more streamlining, and finally dipping deeply into our reserves. While I do not like to dip into the reserves, we have no choice. Please keep in mind, the City only has \$2.6 million in reserves.

We will be struggling this year to keep the City from using all of its reserves. Our situation is serious. If we do not cut expenditures, we will be faced with critical decisions that none of us want to make.

This budget only includes the bare minimum critical needs for the City. The budget is focused on living within our means. As stewards of the taxpayers' money, we must make wise choices, and you will have to make these same choices. Gone are the days of simply granting everyone's request!

The budget revenues for the City of Georgetown for 2008-09 are \$20.6 million. This is a decrease from last year of nearly 8%. The expenditures for 2008-09 are \$22.6 million reflecting a deficit of \$2 million. At the same time, the total request from all departments was \$24 million. As you can see we simply cannot fund all of the requests. No budget during these times can address all the needs and wants of the city, so we must address needs first, and wants when possible.

This budget will defer many needs into the budget for 2009-10, such as new vehicles, additional police officers, building maintenance, funds for 2010 games, and more temporary help in both Beautification and Public Works.

However, this budget represents **NO** layoffs of any city employees, but neither does it propose a raise for city employees. This was done at the expense of trying to keep health care co-payments and deductibles at nearly the same levels as last year. I am especially concerned in that I recognize the cost of living for our employees has gone up, and yet we are no longer able to match the rise in prices they face.

COST CUTTING MEASURES:

This budget contains the following:

A recommendation to remove all health benefits paid to the city council. I agree with Councilman Singer that now is the time to take such action. The council's total salaries are \$85,000. If you add the insurance benefits, we add an additional \$88,000, thus bringing the total package given to council members to \$173,000. By not providing health insurance to council members, we are in keeping with the fact that no other part-time City employee is provided these benefits.

I did not include any discretionary monies for the Mayor. In past years this one account was budgeted at \$60,000.

I am proposing that we continue to provide dental insurance for our employees and their families.

Our health premiums paid by the City for the coming year reflect a 6% increase. To keep costs under control there have been some slight changes in the insurance benefits, but it retains the present co-pay for family physicians, and a very modest increase in the pharmacy benefits. At the same time we will continue to provide our employees with family coverage.

I am sadly proposing no funding for community agencies, with the following exception. Senior Citizens will remain at the same funding level as last year. Several of the community agencies have been reorganized into a section called economic development. This includes the Georgetown/Scott County Airport, Sister City, Georgetown Renaissance, Chamber of Commerce, Scott County United, Georgetown-Scott County Museum, and the Scott County Education Foundation.

I am proposing that the Kite Festival be hosted by a nonprofit organization. A donation of \$16,000 would be given to a nonprofit to put together the festival at

Cardome. This results in a reduced expenditure of \$5,000, and the countless number of hours by our staff. By placing the Kite Festival into the hands of a nonprofit organization they have the ability to raise private or public funds, which would not be available to the City.

Last year the City was most fortunate to have received several grants from the State for our Business Park. Our debt service to the Business Park in the coming budget is \$411,200, and this amount will be transferred from the general fund. This budget does not, however, place any new funds into the Business Park budget for this year. We have no money to make any improvements in the infrastructure for the coming year. There will be approximately \$700,000 coming in from the sale of property this year. Our bright spot at the Business Park is the coming of the Bluegrass Community Technological College. Therefore, in the 2009-2010 fiscal year we will need to begin investing back into the Business Park.

After discussion with the County Judge, I have left the total funding of the interlocal agreements at the same level as last year except for P&Z. They will be given an additional of \$14,000, which represents the moving of the Board of Adjustments to P&Z.

INCREASES IN REVENUE

Cities are limited in what revenues they can increase, and we have considered all avenues. I have heard many say that we should raise our property tax, but unfortunately we have missed the window of opportunity to raise the property tax due to the equalization formula.

However, this budget does project increases in revenues for the year 2008-2009 though EMS Fees in the amount of \$100,000, and from 911 calls in the amount of \$160,000.

In addition, we believe there will be an increase in property tax at the beginning of 2009, but this number has not been determined. Because we do not know that amount, it is not reflected in this budget.

This budget reflects an increase in fees for Sanitation in the amount of approximately \$340,000, contingent upon the vote of the council to enact legislation raising residential and commercial fees. In addition, this budget reflects an additional \$100,000 if the Council enacts a franchise fee for commercial trash and recycling pick up in city limits.

I am proposing a utility fee for storm water which should be an increase of \$400,000. This too would require legislation from the council.

In addition I am also proposing an increase in the Alcohol tax from 2% to 5%, and an ordinance for alarm drops. Both are contingent upon the vote of the council.

CAPITAL PROJECTS

Many projects will not be able to be done.

One project that continues to cause concern is the landfills. We continue to have problems with both Simms Road and Double Culvert. I believe we will receive grant money for part of the sewer line, and in addition a donation from the County of \$500,000 dollars. That will still leave more than a million dollars unfunded for this project. Therefore, we may need to postpone the project, if the needed revenues are not received.

This budget reflects revenues expenditures for new curbing in several locations in the city and for the reworking of the Parking lot behind City Hall where the old City Garage was.

While the new police station needs to be built, this can only be done through a bond. But, we must be cautious since any additional bonding will add to recurring debt that must be paid. We are seeking a homeland security grant for some portion of the construction that could ease the financial strain to the City. However, the cost of demolition and design work has been included in the budget, but no debt service is budgeted. Any additional debt is a concern, but I have looked at a possible increase in the insurance license fees that would pay for this debt. The increase would be done for the time period of repayment, and then revert back to the current rate of 5% or be reviewed by the City Council at that time. At the earliest, it would be July 2009 before this increase could become effective.

In addition, the North and South Broadway Streetscape project should be financed through grant money.

CONCLUSION

Preparing this budget was a very time consuming, hard task. I have struggled trying to meet the needs of the City and cause as little pain as possible. As you see, I have only partial succeeded. This budget, as lean as it is, will require our dipping into

our reserves, thus putting additional strain on our financial future. I am sure there is still going to be an emergency or two that we have not planned on, so we must be prudent and not completely drain our reserves. The upcoming year shows slow economic growth with an increase in expenses, and there will be little opportunity for new recurring revenue.

As council members you are now faced with the decision on this budget. This is going to be a difficult year for a positive budget outcome and now is the time to show what true leadership is about. I challenge you to keep the budget revenue balanced. For each project you add, you must provide a revenue source.

While there has been much energy spent in division between the council and the administration now is the time to put all of our differences aside and work together for the advancement of our City.

Whatever actions we take today, we must be aware of the affect those decisions would have on the city for many years to come. The City of Georgetown has entrusted you with their tax dollars, now it is time to prove that you are worthy stewards of their money.